

LEASE EXTENSION APPROVAL POLICY

Under the oil and gas lease terms, the Commissioner is delegated the responsibility to act on written applications for 180-day extensions to the primary lease term. This Lease Extension Approval Policy defines "drilling" as that definition will be used by the Commissioner when acting on such lease extension applications.

The oil and gas lease paragraph 8 allows for extensions:

If, at the expiration of the primary term, production of oil and/or gas has not been obtained in commercial quantities on the leased premises but drilling, testing, completion, recompletion, reworking, deepening, plugging back, or repairing operations are being conducted thereon in good faith, lessee may, on or before the expiration of the primary term, file a written application with the Commissioner of University and School Lands for a one hundred eighty (180) day extension of this lease, such application to be accompanied by a payment of Ten Dollars (\$10.00) per acre, and the Commissioner shall in writing extend this lease for a period of one hundred eighty (180) days beyond the expiration of the primary term and as long as oil and/or gas is produced in commercial quantities. . . .

"Drilling" means actual drilling as evidenced by a rig on location and the "spud date" (start date) as listed on the Department of Mineral Resources rig list is before the primary term lease expiration date. Lease extensions will not be granted based on only a drilling permit issuance or site preparation and the well has not spud yet. A rig "on the way" is insufficient to extend the primary term.

Adopted: April 30, 2008